

Energy Choice

Matters

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Gexa Energy Gross Margin Nearly Triples in Fiscal 2009

Gexa Energy contributed \$132 million to the gross margin of NextEra Energy Resources for fiscal 2009, versus \$48 million in fiscal 2008, parent FPL Group said yesterday in reporting fourth quarter and yearly earnings.

FPL Group CFO Armando Pimental, Jr. attributed Gexa's success to favorable market conditions, particularly the lower ancillary fees paid to generators compared with the more volatile 2008. Approximately 90% of Gexa's retail gross margin is generated in Texas, FPL said.

For the year, Gexa's earnings were up about \$41 million, mainly due to lower energy supply costs.

NextEra's full requirements supply business contributed \$74 million in gross margin for fiscal 2009, about flat versus the \$76 million contribution from a year ago. FPL said that the full requirements and retail operations serve in part as a hedge of NextEra's assets, and reported that, in 2009, NextEra hedged approximately 3.2 million megawatt-hours of full requirements and retail load with energy and/or basis from its portfolio of merchant generation assets.

NextEra's power and gas marketing and trading business contributed gross margin of \$205 million for fiscal 2009, up from \$76 million a year ago.

NextEra's wholesale marketing and trading activities provided about a \$78 million improvement in earnings in fiscal 2009 compared to fiscal 2008, and about a \$37 million improvement in earnings for the fourth quarter of 2009 versus the fourth quarter of 2008.

Earnings from NextEra's Texas merchant gas facilities were down about \$82 million for fiscal 2009 compared to fiscal 2008.

The retail and wholesale supply businesses, along with new wind investments, led to record adjusted earnings for NextEra for fiscal 2009 of \$882 million, up from \$821 million a year ago. Offsetting the gains were lower results from existing wind assets due to unfavorable weather, and lower results from the Texas fossil assets due to depressed power prices. GAAP earnings for the

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Washington Gas Energy Services Announces PPL Residential Market Entry

Washington Gas Energy Services yesterday announced the start of its residential marketing in the PPL Electric territory, with associated pricing. WGES' entry into the PPL mass market was first reported by *Matters* (Only in *Matters*, 11/16/09).

WGES is offering a residential fixed price of 9.3¢/kWh through the January 2011 meter reading, with the product including 5% wind power from sources in the Mid-Atlantic region. WGES is also offering a fixed price of 9.6¢/kWh for terms of two years or three years.

The products include an early termination fee equal to the greater of \$150 or \$20 per month for each month remaining on the contract term.

WGES is also offering residential customers a 50% wind product for 10.90¢/kWh for a term of one or two years, and a 100% wind product for 12.10¢/kWh for a term of one or two years. Both products carry a termination fee of \$150 or \$20 per month for each month remaining on the contract term, plus an additional \$50.

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Pepco, Delmarva File Updated Type II SOS Rates

Pepco and Delmarva filed updated Maryland Type II SOS rates effective March 1, 2010 through May 31, 2010:

Pepco - Generation Service Charge

MGT LV II

On Peak	9.450¢/kWh
Intermediate	9.450¢/kWh
Off Peak	9.450¢/kWh

MGT 3A II

On Peak	9.317¢/kWh
Intermediate	9.317¢/kWh
Off Peak	9.317¢/kWh

Delmarva - Energy Rate

All Type II Rate Classes

All Hours 8.5330¢/kWh

(Pricing did not produce a differentiation for rates with peak/off peak hours)

Gateway Energy Services Reports Most Customers Opting for 2010 Fixed Rate

Although eight electric suppliers are now active in the PPL Electric territory, only one is actively marketing a monthly variable rate: Gateway Energy Services Corporation. All other residential products in the market are term products, with lengths varying from six months to three years, or with the term coincident to the end of the current default service pricing period in December 2010.

Gateway is offering customers three fixed-price term options (through December 2010, 12 months and 24 months), but is also offering a variable rate, consistent with its approach in other markets of offering customers a full suite of products to meet their needs, said Gateway Energy Services CEO Steve Maslak.

Maslak said that Gateway welcomes customers to test out Gateway on a no obligation variable rate, with an eye of later converting the customer to a fixed rate when the customer is comfortable with locking in a price. Maslak noted that most customers in PPL are still not familiar with retail choice, and may be

hesitant to make a long-term commitment to a supplier.

Still, Gateway reported that, in a little more than a week of marketing, the vast majority of customers (about 9 out of every 10) it is enrolling are opting for the fixed-through-December 2010 product, which coincides with the next default service rate adjustment.

Similar to other markets, Gateway is offering its PPL customers the opportunity to earn a \$25 prepaid Visa gift card for referring a friend to Gateway.

Gateway is relying on its new Wilkes-Barre area call center and door-to-door solicitations to drive PPL sales. Asked about various opposition to door-to-door marketing conducted by energy suppliers in Pennsylvania (from Vice Chairman Tyrone Christy and National Fuel Gas Distribution), Maslak called the opposition "unfortunate," but noted that such opposition is the product of the poorly managed door-to-door campaigns of other retail suppliers, which has given the industry a "black eye." Maslak said that Gateway only uses employees, and not outsourced agents, to conduct door-to-door sales, who are paid a salary with full benefits including a 401(k). Maslak described Gateway's door-to-door approach as neighbors selling products to neighbors, and said that Gateway does not "parachute" a band of agents into various territories for only a few weeks at a time.

Maslak, which described Gateway as a "growth company" right now, said that Gateway has seen "early success" in its expansion into the New Jersey electric market, where it is now marketing electricity at PSE&G and Rockland Electric in addition to gas in all areas (Only in Matters, 1/12/10). Maslak said that Gateway prefers to market both commodities where available to take advantage of synergies in reaching customers. Gateway confirmed that, with its recently awarded Pennsylvania gas license, it will soon market to customers at the various UGI utilities, whose territories overlap with PPL.

Pa. PUC Updates Projections of Post-Rate Cap Price Increases

The Pennsylvania PUC released its latest projections of rate increases at PECO, Met-Ed,

Penelec and West Penn Power (Allegheny) upon the expiration of rate caps January 1, 2011, by comparing current rates to recent market prices:

Residential					
	Met-Ed	PECO	Penelec	Allegheny*	Average
12/31/2009	31.5%	-0.6%	27.5%	21.0%	20.4%
Commercial					
	Met-Ed	PECO	Penelec	Allegheny*	Average
12/31/2009	36.1%	-4.3%	29.9%	21.4%	22.4%
Industrial					
	Met-Ed	PECO	Penelec	Allegheny*	Average
12/31/2009	35.0%	-0.9%	35.2%	25.7%	24.2%

*As Allegheny has procured more than 50% of its supplies, the PUC also provided a forecast rate increase using the average result of the procurements to date, which, if repeated in the future procurements, would considerably mute any increase. Based on the procurement results to date, the PUC forecast an 8.5% increase for Allegheny residential customers, a 0.6% increase for small commercial customers, and a 2% increase for medium commercial customers.

DPUC to Treat Direct Energy Gas Termination Petition as Request for Declaratory Ruling

The Connecticut DPUC said that Direct Energy's petition regarding its ability to terminate service to commercial natural gas customers should be treated as a request for a declaratory ruling under Conn. Gen. Stat. § 4-176, rather than a request for relief under Conn. Gen. Stat. § 16-20 (09-11-15).

The DPUC said that it believes that the issues raised by Direct are better investigated and resolved through a declaratory ruling because the issues affect all marketers and LDCs similarly, not just Direct.

As only reported in *Matters*, Direct had petitioned the Connecticut DPUC to issue a ruling pursuant to Conn. Gen. Stat. §16-20 regarding whether the LDCs can prevent Direct from terminating supply to non-paying customers. Southern Connecticut Gas and Connecticut Natural Gas have informed Direct that they believe that Direct is prohibited from terminating customers who have received service from a third party supplier for less than 12 months, since the tariff requires customers to stay on third party supply for 12 months. Direct countered that while terminated customers may not be able to return to sales service, nothing in the tariff obligates the same supplier to serve a

specific customer for the entire 12 months the customer is on third party supply (Only in *Matters*, 11/26/09).

The DPUC designated each LDC and licensed supplier as parties to the restyled proceeding.

NOPEC Seeks Waiver to Serve Rider EDR Customers on Interim Aggregation

The Northeast Ohio Public Energy Council and FirstEnergy Solutions asked the Public Utilities Commission of Ohio for a waiver of OAC Rules 4901:1-10-01(P) and 4901:1-21-01(T) to permit NOPEC to offer, on an opt-out basis, electric supply to bundled residential customers at the FirstEnergy utilities taking service under Rider EDR for the rest of 2010.

These bundled service customers, who had taken service under electric heating or other tariffs and are eligible for a credit, are not currently included in the opt-out aggregation because favorable pricing could not be obtained for these customers until FirstEnergy Solutions and NOPEC agreed to a supply contract.

OAC rules require governmental aggregation programs to be at least one year in length, but NOPEC said that a new three-year term for its program with FirstEnergy Solutions will

commence on January 1, 2011, which will include Rider EDR customers, thus prompting the waiver request so that NOPEC may offer an interim aggregation for such customers for the remainder of 2010.

NOPEC said that the aggregation program would provide Rider EDR customers with a 4% discount off of the bundled supply Price to Compare for 2010.

NOPEC reported that its former supplier, Gexa Energy, assigned all of its obligations to FirstEnergy Solutions effective January 6, 2010, under a previously reported transaction.

Briefly:

Direct Energy Offering Military, Senior Discount at PPL

Direct Energy has added a senior citizen and military plan for residential customers at PPL with a fixed 12-month price of 9.79¢/kWh. That compares to Direct's standard 9.89¢/kWh 12-month rate. The senior and military plan is available to residential customers who are 65 or older or who are active, retired or veteran military personnel who have or are currently serving in any branch of the U.S. Armed Forces or Reserves. The plan does not include a termination fee.

Manufacturers Association of Maine Receives Broker License

The Maine PUC granted the Manufacturers Association of Maine an electric aggregator/broker license to serve all sizes of non-residential customers in all service areas.

Palmco Power Submits New Application for Conn. Electric License

Palmco Power has re-applied for a Connecticut electric supplier license to serve all customer classes, after the DPUC dismissed its prior filing as deficient (Only in Matters, 8/5/09).

RD Energy Seeks Ohio Electric, Gas Broker Licenses

RD Energy applied for an Ohio electric broker-aggregator license to serve all classes of customers in all service areas, and a natural gas broker-aggregator license to serve all customer classes at all LDCs.

Proenergy Consultants Receives Maryland Broker License

The Maryland PSC granted Cybermark Systems, Inc. (d/b/a Proenergy Consultants) an electric broker license to serve all classes of customers.

U.S. Harvest Energy and Technologies Receives Maryland Broker License

The Maryland PSC granted Harvest Postal Protection Services Corporation (d/b/a U.S. Harvest Energy and Technologies Corporation) an electric broker license to serve commercial and industrial customers.

Massachusetts to Consolidate Energy Purchases Under New Program

Massachusetts Governor Deval Patrick proposed creating a bulk energy supply purchasing program for the state known as Commonwealth Energy Solutions to reduce energy spend and implement efficiency and energy management initiatives. "[T]he Commonwealth will use its role as the largest power purchaser in New England to maximize opportunities to save money, curb greenhouse gas emissions, and promote clean energy innovation," said Energy and Environmental Affairs Secretary Ian Bowles. Currently, there are over 15,000 electric, natural gas, and heating oil accounts in the state's executive branch alone, with total spending of roughly \$120 million per year, not including spend by universities and municipalities. Only a portion of these purchases currently take advantage of bulk purchasing opportunities in competitive markets for electricity and fuels, while the Commonwealth's utilization of money-saving demand response programs and other energy management techniques is limited, the Patrick administration said. The proposed Commonwealth Energy Solutions program would be open to all public entities, including cities and towns, and housed at the Massachusetts Clean Energy Center.

DPUC Dismisses U.S. Sun Energy Aggregator Application

The Connecticut DPUC dismissed U.S. Sun Energy's application for an aggregation certificate because it appears that U.S. Sun

Energy will be brokering, rather than aggregating, load, and a license is not required for brokering in Connecticut (Only in Matters, 12/8/09). The DPUC has stressed that licensed aggregators in Connecticut must act solely as the customer's agent, and cannot act as the agent of an electric supplier.

Maine PUC Approves Assignment of Standard Offer Contracts to Algonquin Energy Services

The Maine PUC approved the assignment of Integers Energy Services' large non-residential Standard Offer supply contract with Maine Public Service to Algonquin Energy Services.

ePsolutions Announces Solution to Facilitate Prepaid Service Utilizing Advanced Meters

Backoffice vendor ePsolutions announced yesterday the beta release of A.M.P. (Advanced Metering Products), which facilitates the offering a prepaid product through the use of data from an advanced meter. Andeler Corporation is among the REPs using the beta release. ePsolutions said that its advanced meter prepaid solution will be made generally available in the market before mid-year.

CAISO Reports Improved Wind Forecasting

The California ISO reported yesterday that a year-long competition to refine wind forecasting has resulted in a 20 percent improvement in forecasting wind generation.

AWEA Reports Nearly 10,000 MW of Wind Capacity Installed in 2009

The American Wind Energy Association said yesterday that the U.S. installed 9,922 MW of wind capacity in 2009. According to AWEA, Texas ended the year with 9,410 MW of wind capacity, placing it first in the U.S. ahead of Iowa (3,670 MW) and California (2,794 MW).

NextEra ... from 1

year were lower at \$849 million versus \$915 million a year ago, and include the effect of non-qualifying hedges and net Other Than Temporary Impairment (OTTI).

For the fourth quarter, NextEra adjusted

earnings were lower at \$152 million, down from \$218 million a year ago. GAAP earnings were lower at \$178 million, down from \$265 million a year ago. Aside from the factors negatively affecting the yearly results, fourth quarter results were also negatively impacted by an outage at the Seabrook nuclear plant.

NextEra added approximately 1,170 megawatts of wind capacity in North America in 2009, bringing its total wind capacity to 7,540 megawatts. Executives reported seeing increased activity in the market for wind properties owned by distressed sellers when compared to six to nine months ago. NextEra continues to be active on this front and said that it is looking at a number of assets it believes would fit "nicely" in its portfolio. Regardless of any potential acquisitions, NextEra is expecting to add 1,000 megawatts of new organic wind during 2010.

FPL Group has not yet filed a 10-K.

WGES ... from 1

Pricing for small commercial customers includes a one, two, or three-year fixed product at 9.7¢/kWh that includes 3.5% local wind power. WGES is also offering small commercial customers a 50% wind and 100% wind product at the same rates and term lengths as offered to residential customers listed above. The small commercial early termination fee for all products is the higher of: (1) \$500 if canceled in the first 6 months of the term and \$200 if canceled thereafter, or (2) the difference between the resale cost of electricity (market cost plus congestion and losses) and the contract price applied to estimated deliveries for the cancelled period.